

MONTANA LEGISLATIVE HISTORY

Chapter 669 1985

Bill H 945 S _____ Original bill & history C

H. Committee on State Admin

Hearing Date(s) Mar 26 ☒ C

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Date Out Mar 26 ☒ C

S. Committee on State Admin.

Hearing Date(s) Apr 12 ☒ C

_____ ☐ C

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Did this bill originate in an interim committee? ☐ Yes ☐ No

Committee _____

Report _____

S. Rules Apr 04

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INTRODUCED BY *HOUSE* *Darius* *BILL NO. 945*
Carlton Stomach *Lucilio*
BY REQUEST OF THE HOUSE STATE ADMINISTRATION COMMITTEE
Rich Merchan *Nisbet* *Cozy* *Pistoria* *Clarnell*
Heck *Lege* *Harmon* *Driscoll* *Keenan* *Hart*
A BILL FOR AN ACT ENTITLED: "AN ACT TO ESTABLISH A STATE
KRUEBER *SPACK* *Gabinski* *Peck*
LOTTERY AND PROVIDE FOR ITS ADMINISTRATION; AMENDING
Nathan *Kennerly*
SECTIONS 23-5-101, 23-5-202, 23-5-302, AND 23-5-402, MCA;
Boedling
PROVIDING EFFECTIVE DATES; AND PROVIDING THAT THE PROPOSED
LOTTERY LAW BE SUBMITTED TO THE ELECTORS OF THE STATE OF
MONTANA." *John D. Montoya* *Backus* *Lewis* *Valleyburg*
Sam Mone *Davis* *Haffey* *J. Jacobson* *Lon*
Richard Manning *Confer* *Somerville* *Outsman*
BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
Conover
NEW SECTION. Section 1. Short title. [Sections 1
through 20] may be cited as the "Montana State Lottery Act
of 1985". *Thomas* *Bengton* *Wick* *Love*
NEW SECTION. Section 2. Purpose. (1) The purpose of
Hirsch *STEPHENS*
[sections 1 through 20] is to allow lottery games in which
McCallum
the player purchases from the state, through the
administrators of the state lottery, a chance to win a
Tweet
prize. [Sections 1 through 20] do not allow and may not be
Kolstad
construed to allow any game in which a player competes
GAGE
against or plays with any other person, including a person
Story
employed by an establishment in which a lottery game may be
Conley *Ellison*
played.
(2) The administration and construction of [sections 1

1 through 20] must comply with Article III, section 9, of the
2 Montana constitution, which mandates that all forms of
3 gambling are prohibited unless authorized by acts of the
4 legislature or by the people through initiative or
5 referendum. Therefore, [sections 1 through 20] must be
6 strictly construed to allow only those games that are within
7 the scope of this section and within the definition of
8 "lottery game".

9 (3) The state lottery may not:

10 (a) operate a slot machine or carry on any form of
11 gambling prohibited by the laws of this state; or

12 (b) carry on any form of gambling permitted by the
13 laws of this state but which is not a lottery game within
14 the scope of this section and within the definition of
15 "lottery game".

16 NEW SECTION. Section 3. Definitions. As used in
17 [sections 1 through 20], the following definitions apply:

18 (1) "Commission" means the state lottery commission
19 created by [section 4].

20 (2) "Director" means the director appointed by the
21 governor under [section 6] to administer and manage the
22 state lottery.

23 (3) "Lottery" or "state lottery" means the Montana
24 state lottery created and operated pursuant to [sections 1
25 through 20].

(4) "Lottery game" means any procedure, including any on-line or other procedure using a machine or electronic device, by which one or more prizes are distributed among persons who have paid for a chance to win a prize and includes but is not limited to weekly (or other, longer time period) winner games, instant winner games, daily numbers games, electronic video machine games, and sports pool games, except games prohibited by Title 23, chapter 5, part 1; lotteries prohibited by Title 23, chapter 5, part 2; card games regulated by Title 23, chapter 5, part 3; raffles and bingo games governed by Title 23, chapter 5, part 4; and sports pools governed by Title 23, chapter 5, part 5.

NEW SECTION. Section 4. State lottery commission -- allocation -- composition -- compensation -- quorum. (1) There is a state lottery commission.

(2) The commission consists of five members, who shall reside in Montana, appointed by the governor.

(3) At least one commissioner must have 5 years of experience as a law enforcement officer. At least one commissioner must be an attorney admitted to the practice of law in Montana. At least one commissioner must be a certified public accountant licensed in Montana.

(4) After initial appointments, each commissioner shall be appointed to a 4-year term of office, and the terms shall be staggered.

(5) A commissioner may be removed by the governor for good cause. An office that for any reason becomes vacant must be filled within 30 days by the governor, and the commissioner filling the vacancy shall serve for the rest of the unexpired term.

(6) The commission shall elect one of its members as chairman.

(7) Three or more commissioners constitute a quorum to do business, and action may be taken by a majority of a quorum.

(8) Commissioners are entitled to compensation, to be paid out of the state lottery fund, at the rate of \$50 for each day in which they are engaged in the performance of their duties and are entitled to travel, meals, and lodging expenses, to be paid out of the state lottery fund, as provided for in Title 2, chapter 18, part 5.

(9) The commission is allocated to the department of commerce for administrative purposes only as prescribed in 2-15-121.

NEW SECTION. Section 5. Powers and duties of commission. The commission shall:

(1) establish and operate a state lottery and may not become involved in any other gambling or gaming;

(2) determine policies for the operation of the state lottery, supervise the director and his staff, and meet with

the director at least once every 3 months to make and consider recommendations, set policies, determine types and forms of lottery games to be operated by the state lottery, and transact other necessary business;

(3) determine the price of each ticket or chance and the number and size of prizes;

(4) provide for the conduct of drawings of winners of lottery games;

(5) carry out, with the director, a continuing study of the state lotteries of Montana and other states to make the state lottery more efficient, profitable, and secure from violations of the law;

(6) study the possibility of working with other lottery states to offer regional lottery games;

(7) prepare quarterly and annual reports on all aspects of the operation of the state lottery, including but not limited to types of games, gross revenue, prize money paid, operating expenses, net revenue to the state, contracts with gaming suppliers, and recommendations for changes to [sections 1 through 20], and deliver a copy of each report to the governor, the department of administration, the legislative auditor, the president of the senate, the speaker of the house of representatives, and each member of the appropriate committee of each house of the legislature as determined by the president of the senate

and the speaker of the house; and

(8) adopt rules necessary to carry out [sections 1 through 20].

NEW SECTION. Section 6. Director -- appointment -- compensation -- qualifications. (1) The director must be appointed by the governor and shall hold office at the pleasure of the governor.

(2) The director must be qualified by training and experience to direct the state lottery. He must be a full-time employee and may not engage in any other occupation.

(3) The director's salary is equal to 90% of the salary of the director of the department of commerce.

NEW SECTION. Section 7. Powers and duties of director. (1) The director shall:

(a) administer the operation of the state lottery in accordance with [sections 1 through 20] and the rules and other directives of the commission;

(b) appoint an assistant director for security and employ and direct personnel necessary to the operation of the state lottery;

(c) license lottery ticket or chance sales agents and suspend or revoke licenses pursuant to [sections 1 through 20] and commission rules; and

(d) maintain, with the assistant director for

security, the security of the state lottery.

(2) With the concurrence of the commission or pursuant to commission rules, the director may enter into contracts for materials, equipment, and supplies to be used in the operation of the state lottery, for the design and installation of games, for consultant services, and for promotion of the lottery. All contracts must be made in accordance with state law. No contract is legal or enforceable that provides for the management of the state lottery or for the entire operation of its games by any private person or firm. When a contract is awarded, a performance bond satisfactory to the commission and executed by a surety company authorized to do business in this state or otherwise secured in a manner satisfactory to the commission, in an amount equal to the price of the contract, must be delivered to the commission.

NEW SECTION. Section 8. Assistant director for security -- qualifications -- duties. (1) The director shall appoint an assistant director for security.

(2) The assistant director for security must be qualified by training and experience, have at least 5 years of law enforcement experience, and be knowledgeable and experienced in computer security.

(3) The assistant director for security shall:

(a) be responsible for a security division to assure

security, honesty, fairness, and integrity in the operation and administration of the lottery, including but not limited to an examination of the background of all prospective employees, ticket or chance sales agents, lottery vendors, and lottery contractors. The security division is designated a law enforcement agency for the purpose of administering [sections 1 through 20].

(b) in conjunction with the director, confer with the attorney general or his designee to promote and ensure security, honesty, fairness, and integrity of the operation and administration of the lottery; and

(c) in conjunction with the director, report any alleged violation of law to the attorney general, the legislative auditor, and any other appropriate law enforcement authority for further investigation and action.

NEW SECTION. Section 9. Ticket or chance sales agents -- licenses. (1) Lottery tickets or chances may be sold only by ticket or chance sales agents licensed by the director in accordance with this section.

(2) The commission shall by rule determine the places at which state lottery game tickets or chances may be sold.

(3) (a) Before issuing a license, the director shall consider:

(i) the financial responsibility and security of the applicant and his business or activity;

1 (ii) the accessibility of his place of business or
2 activity to the public; and

3 (iii) the sufficiency of existing licenses to serve the
4 public convenience and the volume of the expected sales.

5 (b) No person under 18 years of age may sell lottery
6 tickets or chances.

7 (c) A license as an agent to sell lottery tickets or
8 chances may not be issued to any person to engage in
9 business exclusively as a lottery ticket or chance sales
10 agent.

11 (4) The director may issue temporary licenses upon
12 conditions he considers necessary.

13 (5) License applicants shall pay a \$50 fee to cover
14 the cost of investigating and processing the application.

15 (6) The director may require a bond from any licensed
16 agent in an amount provided in the commission's rules and
17 may purchase a blanket bond covering the activities of
18 licensed agents.

19 (7) A licensed agent shall display his license or a
20 copy thereof conspicuously in accordance with the
21 commission's rules.

22 (8) A license is not assignable or transferable.

23 (9) No employee of a ticket or chance sales agent may
24 be required to sell lottery game tickets or chances if the
25 sale is against his religious or moral beliefs.

1 (10) Sales agents are entitled to no more than a 5%
2 commission on tickets and chances sold.

3 (11) Each sales agent shall keep a complete and
4 up-to-date set of records and accounts fully showing his
5 sales and provide it for inspection upon request of the
6 commission, the director, the department of commerce, the
7 office of the legislative auditor, or the office of the
8 attorney general.

9 (12) Sales agents may pay the state lottery only by
10 check, bankdraft, electronic fund transfer, or other
11 recorded, noncash, financial transfer method as determined
12 by the director.

13 (13) A license may be suspended or revoked for failure
14 to maintain the license qualifications provided in
15 subsection (3) or for violation of any provision of
16 [sections 1 through 20] or a commission rule. Prior to
17 suspension or revocation, the licensee must be given notice
18 and an opportunity for a hearing.

19 NEW SECTION. Section 10. Sales restrictions. (1) The
20 price of each lottery game ticket or chance must be clearly
21 stated thereon. The price of a lottery game chance vended
22 by a machine or electronic device must be clearly stated on
23 the machine or device.

24 (2) Tickets and chances may not be sold to or
25 purchased by persons under 18 years of age.

{3} Tickets and chances must be paid for in cash.

{4} Tickets and chances may not be sold to or purchased by commissioners, the director, his staff, gaming suppliers doing business with the state lottery, suppliers' officers and employees, employees of any firm or governmental agency auditing or investigating the state lottery, or members of their families living with them.

{5} The names of elected officials may not appear on any ticket or chance.

NEW SECTION. Section 11. Disclosure of odds. The director shall make adequate disclosure of the odds with respect to each state lottery game by stating the odds in lottery game advertisements and by posting the odds at each place in which tickets or chances are sold.

NEW SECTION. Section 12. State lottery fund. There is a fund of the enterprise fund type, as defined in 17-2-102, to be known as the state lottery fund. The gross revenue from the state lottery, consisting of money from the sale of lottery tickets and chances, ticket or chance sales agent license fees, unclaimed prizes, or any other source, must be deposited in the fund, except that, at the discretion of the director, money for prizes paid immediately by a sales agent and money equaling the sales agent's commission may be drawn by a sales agent from his gross revenue before depositing his gross revenue with the state lottery.

NEW SECTION. Section 13. Disposition of revenue. {1}

As near as possible to 45% of the money paid for tickets or chances in each separate state lottery game must be paid out as prize money for the game.

{2} Up to 20% of the gross revenue from the state lottery may be used by the director to pay the operating expenses of the state lottery. Commissions paid to lottery ticket or chance sales agents are a state lottery operating expense.

{3} That part of all gross revenue not used for the payment of prizes and operating expenses is net revenue and must be paid quarterly from the enterprise fund established by [section 12] as follows:

{a} 50% into the state general fund;

{b} 50% of the net revenue generated in each county must be paid into the general fund of that county. Fifty percent of the net revenue paid into the general fund of each county must be paid by that county to the general funds of the incorporated cities and towns and consolidated local governments in that county in the ratio which the population within the corporate limits of each city, town, or consolidated local government bears to the total population of the county. The population of each city, town, and consolidated local government shall be determined by the last preceding official federal census.

1 NEW SECTION. Section 14. Felony and gambling-related
2 convictions -- ineligibility for lottery positions. No
3 person who has been convicted of a felony or a
4 gambling-related offense under federal law or the law of any
5 state may be a commissioner, director, assistant director,
6 employee of the state lottery, or licensed ticket or chance
7 sales agent. Prior to appointment to any such position, a
8 person shall submit to the commission a full set of
9 fingerprints made at a law enforcement agency by an agent or
10 officer of such agency on forms supplied by the agency.

11 NEW SECTION. Section 15. Conflict of interest. No
12 commissioner, director, assistant director, state lottery
13 employee, licensed ticket or chance sales agent, or member
14 of his family living with him may have a financial interest
15 in any gaming supplier or any contract between the state
16 lottery and a gaming supplier or accept any gift or thing of
17 value from a gaming supplier.

18 NEW SECTION. Section 16. Drawings for and payment of
19 prizes -- unclaimed prizes. (1) All drawings must be held in
20 public. The selection of winning tickets may not be
21 performed by an employee of the lottery or by a member of
22 the commission. All drawings must be witnessed by a
23 professional staff employee of the legislative auditor's
24 office, and all lottery drawing equipment used in public
25 drawings to select winning prizes or participants for prizes

1 must be examined by the director's staff and a professional
2 staff employee of the legislative auditor's office prior to
3 and after each public drawing.

4 (2) The commission may provide for the immediate
5 payment of prizes by the ticket or chance sales agent who
6 sold the winning ticket or chance whenever the amount of the
7 prize is less than an amount set by commission rule.
8 Payment may not be made directly by an electronic game,
9 machine, or device or by a computer terminal.

10 (3) Prizes over \$100,000 may in the discretion of the
11 commission be paid either in one lump sum or in equal yearly
12 installments without interest over a period of not more than
13 10 years, except that each installment payment must be at
14 least \$20,000.

15 (4) Prizes not claimed within 6 months are forfeited
16 and must be paid into the state lottery fund. No interest is
17 due on a prize when a claim is delayed but made within 6
18 months.

19 (5) The right to a prize is not assignable, but prizes
20 may be paid to a deceased winner's estate or to a person
21 designated by judicial order.

22 NEW SECTION. Section 17. Disclosures by gaming
23 suppliers. (1) Any person, firm, association, or corporation
24 that submits a bid or proposal for a contract to supply
25 lottery equipment, tickets, or other material or consultant

1 services for use in the operation of the state lottery shall
2 disclose at the time of such bid or proposal:

3 (a) the supplier's business name and address and the
4 names and addresses of the following:

5 (i) if the supplier is a partnership, all of the
6 general and limited partners;

7 (ii) if the supplier is a trust, the trustee and all
8 persons entitled to receive income or benefit from the
9 trust;

10 (iii) if the supplier is an association, the members,
11 officers, and directors;

12 (iv) if the supplier is a corporation, the officers,
13 directors, and each owner or holder, directly or indirectly,
14 of any equity security or other evidence of ownership of any
15 interest in the corporation; except that, in the case of
16 owners or holders of publicly held equity securities of a
17 publicly traded corporation, only the names and addresses of
18 those owning or holding 5% or more of the publicly held
19 securities must be disclosed;

20 (v) if the supplier is a subsidiary company, each
21 intermediary company, holding company, or parent company
22 involved therewith and the officers, directors, and
23 stockholders of each; except that, in the case of owners or
24 holders of publicly held securities of an intermediary
25 company, holding company, or parent company which is a

1 publicly traded corporation, only the names and addresses of
2 those owning or holding 5% or more of the publicly held
3 securities must be disclosed;

4 (b) if the supplier is a corporation, all the states
5 in which the supplier is authorized to do business and the
6 nature of that business;

7 (c) other jurisdictions in which the supplier has
8 contracts to supply gaming materials, equipment, or
9 consultant services;

10 (d) the details of any conviction, state or federal,
11 of the supplier or any person whose name and address are
12 required by subsection (1)(a) of a criminal offense
13 punishable by imprisonment for more than 1 year and shall
14 submit to the commission a full set of fingerprints of such
15 person made at a law enforcement agency by an agent or
16 officer of such agency on forms supplied by the agency;

17 (e) the details of any disciplinary action taken by
18 any state against the supplier or any person whose name and
19 address are required by subsection (1)(a) regarding any
20 matter related to gaming consultant services or the selling,
21 leasing, offering for sale or lease, buying, or servicing of
22 gaming materials or equipment;

23 (f) audited annual financial statements for the
24 preceding 5 years;

25 (g) a statement of the gross receipts realized in the

preceding year from gaming consultant services and the sale, lease, or distribution of gaming materials or equipment to states operating lotteries and to private persons licensed to conduct gambling, differentiating that portion of the gross receipts attributable to transactions with states operating lotteries from that portion of the gross receipts attributable to transactions with private persons licensed to conduct gambling;

(h) the name and address of any source of gaming materials or equipment for the supplier;

(i) the number of years the supplier has been in the business of supplying gaming consultant services or gaming materials or equipment; and

(j) any other information, accompanied by any documents the commission by rule may reasonably require as being necessary or appropriate in the public interest to accomplish the purposes of [sections 1 through 20].

(2) No person, firm, association, or corporation contracting to supply gaming equipment or materials or consultant services to the state for use in the operation of the state lottery may have any financial interest or connection with any person, firm, association, or corporation licensed as a ticket or chance sales agent.

(3) No contract for supplying consultant services or gaming materials or equipment for use in the operation of

the state lottery is enforceable against the state unless the requirements of this section have been fulfilled.

NEW SECTION. Section 18. Annual audit. The legislative auditor shall conduct an annual audit of the state lottery. The costs of the audit must be paid out of the state lottery fund. A copy of the audit report must be delivered to the commission, the director, the governor, the president of the senate, the speaker of the house of representatives, and each member of the appropriate committee of each house of the legislature as determined by the president of the senate and the speaker of the house.

NEW SECTION. Section 19. Audit of lottery security. (1) After the first 9 months of sales to the public and every 2 years after that, the office of the legislative auditor shall conduct or have conducted a comprehensive audit of all aspects of security in the operation of the lottery. The costs of the audit are a state lottery operating expense and must be paid out of the state lottery fund. The audit must include:

(a) personnel security;

(b) lottery sales agent security;

(c) lottery contractor security;

(d) security of manufacturing operations of lottery contractors;

(e) security against ticket or chance counterfeiting

1 and alteration and other means of fraudulently winning;
 2 (f) security of drawings among entries or finalists;
 3 (g) computer security;
 4 (h) data communications security;
 5 (i) database security;
 6 (j) systems security;
 7 (k) lottery premises and warehouse security;
 8 (l) security in distribution;
 9 (m) security involving validation and payment
 10 procedures;
 11 (n) security involving unclaimed prizes;
 12 (o) security aspects applicable to each particular
 13 lottery game;
 14 (p) security of drawings in games whenever winners are
 15 determined by drawings;
 16 (q) the completeness of security against locating
 17 winners in lottery games with preprinted winners by persons
 18 involved in their production, storage, distribution,
 19 administration, or sales; and
 20 (r) any other aspects of security applicable to any
 21 particular lottery game and to the lottery and its
 22 operations.
 23 (2) The security audit report must be presented to the
 24 commission, the director, the governor, the president of the
 25 senate, and the speaker of the house of representatives.

1 NEW SECTION. Section 20. Penalties. It is a
 2 misdemeanor, punishable by a fine not to exceed \$500 or
 3 imprisonment in the county jail for a term not to exceed 6
 4 months, or both, to knowingly or purposely:
 5 (1) require an employee to sell lottery tickets or
 6 chances in violation of [section 9(9)];
 7 (2) violate [section 9(11)];
 8 (3) sell a lottery ticket or chance to a person under
 9 18 years of age;
 10 (4) violate [subsection (3) or (4) of section 10];
 11 (5) serve as a commissioner, director, assistant
 12 director, employee, or licensed agent of the state lottery
 13 in violation of [section 14];
 14 (6) violate [section 15];
 15 (7) violate [section 17]; or
 16 (8) influence the winning of a prize through the use
 17 of coercion, fraud, deception, or tampering with lottery
 18 equipment or materials.
 19 Section 21. Section 23-5-101, MCA, is amended to read:
 20 "23-5-101. Definitions. (1) A slot machine is defined
 21 as a machine operated by inserting a coin, token, chip,
 22 trade check, or paper currency therein by the player and
 23 from the play of which he obtains or may obtain money,
 24 checks, chips, tokens, or paper currency redeemable in
 25 money. Electronic video game machines operated by the state

1 lottery are not slot machines. Merchandise vending machines
2 where the element of chance does not enter into their
3 operation are not within the provisions of this part.

4 (2) In addition to their ordinary meaning, the words
5 "person" or "persons", as used in this part, include both
6 natural and artificial persons and all partnerships,
7 corporations, associations, clubs, fraternal orders, and
8 societies, including religious, fraternal, and charitable
9 organizations."

10 Section 22. Section 23-5-202, MCA, is amended to read:

11 "23-5-202. Application. This part shall not apply to
12 the provisions of part 4 of this chapter, to [sections 1
13 through 20], or to the giving away of cash or merchandise
14 attendance prizes or premiums by public drawings at
15 agricultural fairs or rodeo associations in this state, and
16 the county fair commissioners of agricultural fairs or rodeo
17 associations in this state may give away at such fairs cash
18 or merchandise attendance prizes or premiums by public
19 drawings."

20 Section 23. Section 23-5-302, MCA, is amended to read:

21 "23-5-302. Definitions. As used in this part and
22 unless the context requires otherwise, the following terms
23 or phrases have the following meanings:

24 (1) "Authorized card game" means any card game
25 permitted by this part.

1 (2) "Card game" means any game played with cards for
2 which the prize is money or any item of value, except games
3 played on electronic video game machines operated by the
4 state lottery."

5 Section 24. Section 23-5-402, MCA, is amended to read:

6 "23-5-402. Definitions. As used in this part, unless
7 the context requires otherwise, the following terms or
8 phrases shall have the following meanings:

9 (1) "Game of chance" means the specific kind of game
10 of chance commonly known as:

11 (a) "bingo" or "keno", in which prizes are awarded on
12 the basis of designated numbers or symbols on a card which
13 conform to numbers or symbols selected at random, except
14 games played on electronic video game machines operated by
15 the state lottery;

16 (b) "raffles", which are conducted by drawing for
17 prizes.

18 (2) "Equipment" means:

19 (a) with respect to bingo or keno, the receptacle and
20 numbered objects drawn from it, the master board upon which
21 such objects are placed as drawn, the cards or sheets
22 bearing numbers or other designations to be covered and the
23 objects used to cover them, the boards or signs, however
24 operated, used to announce or display the numbers or
25 designations as they are drawn, public address system, and

1 all other articles essential to the operation, conduct, and
2 playing of bingo or keno; or

3 (b) with respect to raffles, the implements, devices,
4 and machines designed, intended, or used for the conduct of
5 raffles and the identification of the winning number or unit
6 and the ticket or other evidence of right to participate in
7 raffles."

8 NEW SECTION. Section 25. Initial appointment and
9 terms of commissioners. Initial appointments to the
10 commission must be made within 30 days after [the effective
11 date of sections 1 through 28]. Two of the initial
12 appointees shall serve for 2 years, two shall serve for 3
13 years, and one shall serve for 4 years.

14 NEW SECTION. Section 26. Initial duties of commission
15 -- lottery study -- first game. (1) The commission shall
16 immediately conduct an initial study of other state
17 lotteries.

18 (2) The commission shall begin the operation of state
19 lottery games at the earliest practicable time and in any
20 event no later than July 1, 1987.

21 NEW SECTION. Section 27. Temporary state treasury
22 line of credit for expense of starting state lottery. There
23 is a temporary line of credit that may be drawn by the
24 director of the state lottery from the state general fund
25 and deposited in the state lottery fund, in the amount of

1 \$1,500,000. This temporary line of credit may be drawn upon
2 only during the first 12 months after the effective date of
3 [sections 1 through 20] and only for the purpose of
4 financing the initial expenses of starting the state
5 lottery. The director may draw upon all or part of this
6 temporary line of credit. Any funds advanced under the
7 temporary line of credit must be repaid out of the lottery's
8 net revenue to the general fund within 1 year of the
9 advance, and no net revenue may be paid out under [section
10 13(3)(b)] until all advanced funds are repaid. Interest must
11 be paid at an annual simple interest rate of 10% on funds
12 advanced, commencing on the day funds are advanced and until
13 the funds are repaid.

14 NEW SECTION. Section 28. Severability. If a part of
15 this act is invalid, all valid parts that are severable from
16 the invalid part remain in effect. If a part of this act is
17 invalid in one or more of its applications, the part remains
18 in effect in all valid applications that are severable from
19 the invalid applications.

20 NEW SECTION. Section 29. Effective date. (1) If
21 approved by the electorate, sections 1 through 28 of this
22 act are effective January 1, 1987.

23 (2) This section and section 30 are effective on
24 passage.

25 NEW SECTION. Section 30. Submission to electorate.

1 The question whether sections 1 through 28 of this act will
2 become effective shall be submitted to the electors of the
3 State of Montana at the general election to be held in
4 November 1986 by printing on the ballot the full title of
5 this act and the following:

- 6 ☐ FOR establishing a state lottery.
7 ☐ AGAINST establishing a state lottery.

-End-

HOUSE FINAL STATUS

3/28 FISCAL NOTE RECEIVED
4/01 COMMITTEE REPORT-BILL PASS AS AMENDED
4/01 2ND READING PASS
4/01 3RD READING PASS

TRANSMITTED TO SENATE
4/03 REFERRED TO FINANCE & CLAIMS
4/11 HEARING
4/19 COMM REPORT-BILL CONCURRED AS AMENDED
4/22 2ND READING CONCURRED
4/23 3RD READING CONCURRED

RETURNED TO HOUSE WITH AMENDMENTS
4/23 2ND READING AMENDMENTS CONCURRED
4/23 3RD READING AMENDMENTS CONCURRED
4/25 SIGNED BY SPEAKER
4/25 SIGNED BY PRESIDENT

4/25 TRANSMITTED TO GOVERNOR
5/10 SIGNED BY GOVERNOR
CHAPTER NUMBER 716 EFFECTIVE DATE: 5/

HB 943 INTRODUCED BY DONALDSON
INCREASE FEE FOR ISSUANCE OR RENEWAL OF TEACHE
CERTIFICATE
BY REQUEST OF HOUSE APPROPRIATIONS

3/23 INTRODUCED
3/23 REFERRED TO APPROPRIATIONS
3/23 FISCAL NOTE REQUESTED
3/28 HEARING
3/29 FISCAL NOTE RECEIVED
4/01 COMMITTEE REPORT-BILL PASS AS AMENDED
4/01 2ND READING PASS AS AMENDED
4/01 3RD READING PASS

TRANSMITTED TO SENATE
4/03 REFERRED TO TAXATION
4/12 HEARING
4/17 COMMITTEE REPORT-BILL CONCURRED
4/20 2ND READING NOT CONCURRED
AS AMENDED, BE NOT CONCURRED IN
4/20 BILL KILLED

HB 944 INTRODUCED BY REAM
REMOVE FED. INCOME TAXES PAID DEDUCTION FROM
INDIVIDUAL INCOME TAX

3/23 INTRODUCED
3/23 REFERRED TO TAXATION
3/25 FISCAL NOTE REQUESTED
3/26 HEARING
3/27 FISCAL NOTE RECEIVED
3/30 COMMITTEE REPORT-BILL DO PASS
DIED IN PROCESS

HB 945 INTRODUCED BY PAVLOVICH, STIMATZ, QUILICI, ET
VOTER REFERENDUM ON ADOPTION OF A STATE LOTTE
BY REQUEST OF HOUSE STATE ADMINISTRATION

HOUSE FINAL STATUS

3/23	INTRODUCED	
3/23	REFERRED TO STATE ADMINISTRATION	
3/25	FISCAL NOTE REQUESTED	
3/26	HEARING	
3/26	COMMITTEE REPORT-BILL PASS AS AMENDED	
3/29	FISCAL NOTE RECEIVED	
3/30	2ND READING PASS AS AMENDED	63 35
4/01	3RD READING PASS	67 33

	TRANSMITTED TO SENATE	
4/03	REFERRED TO RULES	
4/09	HEARING	
4/15	REREFERRED TO STATE ADMINISTRATION	
4/17	HEARING	
4/17	ON MOTION RULES SUSPENDED	
	PLACED ON 3RD READING 85TH DAY	
4/18	COMMITTEE REPORT-BILL CONCURRED	
4/18	STATEMENT OF INTENT ATTACHED	
4/19	2ND READING CONCURRED	36 14
4/19	3RD READING CONCURRED	34 15

	RETURNED TO HOUSE WITH AMENDMENTS	
4/23	2ND READING AMENDMENTS CONCURRED	74 25
4/23	3RD READING AMENDMENTS CONCURRED	74 24
5/01	SIGNED BY SPEAKER	
5/01	SIGNED BY PRESIDENT	
	CHAPTER NUMBER 669 EFFECTIVE DATE: 1/1/87	
	ON ELECTORATE APPROVAL	

13-346 INTRODUCED BY GRADY, FULLER, DONALDSON, ET AL.
REQUIRING DEPT OF ADMIN. TO ADOPT PAY SCHEDULES FOR
CERTAIN INSTIT. TEACHERS

3/23	INTRODUCED	
3/23	REFERRED TO APPROPRIATIONS	
3/28	HEARING	
	DIED IN COMMITTEE	

13-347 INTRODUCED BY BARDANOUVE, THOFT, ET AL.
WATER DEVELOPMENT PROGRAM: PROJECT APPROPRIATIONS
BY REQUEST OF DEPT. OF NATURAL RESOURCES

3/25	INTRODUCED	
3/25	REFERRED TO APPROPRIATIONS	
4/04	HEARING	
4/05	COMMITTEE REPORT-BILL PASS AS AMENDED	
4/05	ON MOTION RULES SUSPENDED	
	PLACED ON 2ND READING THIS DAY	
4/05	2ND READING PASS AS AMENDED	82 11
4/05	ON MOTION RULES SUSPENDED	
	PLACED ON 3RD READING THIS DAY	
4/05	3RD READING PASS	84 10

	TRANSMITTED TO SENATE	
4/09	REFERRED TO FINANCE & CLAIMS	
4/17	ON MOTION RULES SUSPENDED	
	PLACED ON 3RD READING 88TH DAY	
4/19	HEARING	
4/20	COMM REPORT-BILL CONCURRED AS AMENDED	
4/23	2ND READING CONCURRED	48 1

STATE OF MONTANA
FISCAL NOTE

REQUEST NO. FNN 523-85

Form BD-15

In compliance with a written request received March 27, 19 85, there is hereby submitted a Fiscal Note for H.B. 945 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA). Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to establish a state lottery and provide for its administration; providing effective dates; and providing that the proposed lottery law be submitted to the electors of the State of Montana.

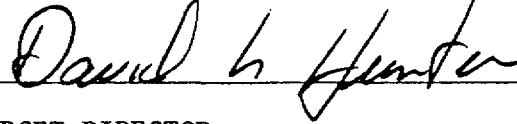
ASSUMPTIONS:

- (1) This fiscal note has been prepared based on the amendments placed on the bill in committee.
- (2) This fiscal note assumes that the instant ticket game would be the only lottery game offered in Montana in the foreseeable future.
- (3) No revenue will be derived from a lottery during the 86-87 biennium.
- (4) Revenue estimates are derived from the lottery states of Maine, Vermont and New Hampshire. These states have rural economies and small populations similar to Montana.
- (5) Per capita revenues from each state must be adjusted by non-instant (on-line numbers) games.

State	FY 1983 Total Revenues	(1) % From Instant Tickets	(2) Instant Ticket Revenue	1983 Population	Per Capita Revenue
Maine	\$13,074,000	67%	\$ 8,759,580	1,133,000	\$7.73
New Hampshire	13,819,000	55%	7,600,450	951,000	7.99
Vermont	4,400,000	90%	3,960,000	516,000	7.67
TOTAL			\$20,320,030	2,600,000	\$7.82 avg.

(1) Source: State Legislatures, March, 1984

(2) Source: Public Gaming, January, 1983


BUDGET DIRECTOR
Office of Budget and Program Planning

Date: March 29, 1985

HB 945

ASSUMPTIONS: (continued)

- (6) Costs of administration would be a maximum of 15% of gross sales, including the 5% sales commission.
- (7) Based on data from Arizona, it will take 8 months before the lottery is operational. 6 of the 8 months will impact FY 87 and 25% of "normal" operating expenses will be incurred during FY 87.
- (8) The expenditure projections from the fiscal note prepared for SB 324 are assumed to be relevant estimates and are reduced to conform to the 15% maximum in HB 945 as amended.

FISCAL IMPACT:

	<u>FY 86</u>	<u>FY 87*</u>	<u>Normal Operating Year</u>
<u>Revenues</u>			
Licensing: \$50 x 300 agents/year	\$ -0-	\$ -0-	\$ 15,000
Ticket: \$7.82 x 817,000	-0-	-0-	<u>6,388,940</u>
Total	\$ <u>-0-</u>	\$ <u>-0-</u>	<u>\$6,403,940</u>
<u>Expenditures</u>			
Personal Services	\$ -0-	\$ 38,806	\$ 155,223
Operating Expenses	-0-	120,699	482,796
Equipment	-0-	730	2,921
Prizes (Based on Ticket Sales)	-0-	-0-	<u>2,875,022</u>
Total Expenditures	\$ <u>-0-</u>	\$ <u>160,235</u>	<u>\$3,515,962</u>
<u>Summary</u>			
Total Revenue	\$ -0-	\$ -0-	\$6,403,940
Total Costs	-0-	160,235	<u>3,515,962</u>
Net Revenue	\$ <u>-0-</u>	\$ <u>(160,235)</u>	<u>\$2,887,978</u>
 State General Fund	 \$ -0-	 \$(160,235)	 \$1,443,989
Local Governments	-0-	-0-	<u>1,433,989</u>
	\$ <u>-0-</u>	\$ <u>(160,235)</u>	<u>\$2,887,978</u>

* Assumes start-up of organization leading to first game in FY 88 (25% of normal costs will be incurred).

TECHNICAL OR MECHANICAL DEFECTS:

- (1) The limit on administrative expenses of 10% (15% less 5% for seller's commissions) may be insufficient based on actual experience of other small states. The following information has been provided to support this claim.

Comparative Table

<u>State</u>	<u>*Administrative Costs Net of Commissions</u>
Maine	19%
New Hampshire	20%
Vermont	23%
District of Columbia	21%

The effect of setting an administrative expense limit at 20% would be as follows:

Revenues	\$ 6,403,940	(100%)
less:		
Salaries & Operating Costs	1,280,788	(20.0%)
Seller's Commission	319,448	(5.0%)
Prizes (Based on Ticket Sales)	2,875,022	(44.9%)
Net Revenue	<u>\$ 1,928,682</u>	<u>(30.1%)</u>

Revenue Distribution:

State General Fund	\$ 964,341	(50%)
Local Governments	964,341	(50%)
Net Revenue	<u>\$ 1,928,682</u>	<u>(100%)</u>

* Source: Public Gaming, March, 1984, P. 46.

- (2) The constraints placed on license suspension; the requirement to give "notice and opportunity for a hearing" prior to suspension of a license would make it impossible to stop a licensee who was in violation from continuing to violate the act, e.g. selling tickets to minors.
- (3) There is neither provision for payment of proceeds from lottery sales by agents to the lottery nor penalty for failure to do so. The act does not specify whether sales agents must pay for tickets before or after they are sold. There is no requirement to pay weekly, monthly or even annually. No remedy is provided if they fail to pay for tickets to assure collection. Washington had 6% of sales in receivable status at the end of its first 8 months of operation and over half of the receivables were in a delinquent status. In Montana that would equate to over a million dollars in delinquent receivables.

TECHNICAL OR MECHANICAL DEFECTS: (continued)

- (5) Violations which are criminal in nature are not dealt with in a consistent manner. Forgery alteration and counterfeiting, the most common crimes against a lottery are not even mentioned in the act. If prosecuted as acts of fraud under the act, the maximum penalty would be \$500 or 6 months in prison - the same penalty as that for accepting a check or not keeping "up-to-date" records.

Ref: Pg. 19 and 20 starting at line 20.

"The Next Greatest Thing" which will be sent to all schools throughout the state. He quoted from the inside cover of the book jacket, "The greatest thing is to have love in your heart for your fellow man, the next greatest thing is to have electricity in your home."

There were no opponents present.

There being no questions from the Committee, Sen. Christians closed his presentation by asking the Committee to vote for this and join in the celebration of the REA in Montana.

DISPOSITION OF SENATE JOINT RESOLUTION NO. 30: Rep. Pistoria moved that SJR 30 BE CONCURRED IN, seconded by Rep. Phillips. The motion CARRIED UNANIMOUSLY.

CONSIDERATION OF HOUSE BILL NO. 945: Rep. Bob Pavlovich, District #70, sponsor, thanked the Committee for allowing him to draft this bill for a state lottery to put it to the vote of the electorate of the state of Montana. There are approximately 22 states that have a state lottery and three or four are considering it at the present time. He passed out his proposed amendments to the bill deleting reference to games played on electronic video game machines but left in the instant game winner. If the latter is not left in, you don't have a lottery.

PROPOSERS: Sen. Lawrence Stimatz, District #35, said he sponsored a similar bill in the Senate, SB 324, which had been pretty well watered down and which should have passed the Senate but went down by two votes. He said that the proposed amendment would tend to reduce the potential income of the lottery which would be state owned and state controlled and if it is not owned and controlled by the state it can't be maintained and protected and therefore there would be no use having it. Sen. Stimatz went through the bill and explained the governor's appointments. He said that the lottery would not have \$1 million payoff in Montana because of the size of the state and the population but compared it to several other states with comparable population and submitted written figures for the Committee to peruse. He said the outside potential with electronic games would be \$16 million per year. He stated that he would be happy to answer any questions the Committee might have. He stated that page 3, lines 8-12 refer to other forms of gambling and the purpose is to prevent the state from becoming involved in these other types of gambling forms. They have estimated 12% of the gross for operation in other states, but after talking with the Director of the Department of Revenue and others, it was recommended that for Montana the proper amount would be 20%.

Sen. Stimatz submitted Exhibit #3 to the Committee which listed several of the other states that have lotteries and said that each year both the gross and net proceeds have increased. Sen. Stimatz said it was worth submitting to the people of Montana and could possibly generate \$4-5 million per year. This is the last current hope for a lottery in Montana and would let the people of Montana speak.

OPPONENTS: Cathy Campbell, Montana Association of Churches, said that the public conception of a state lottery is different than what has been discussed here. The Constitution of 1972 says that gambling is illegal in Montana and the old Constitution said that a lottery in Montana was illegal. She said that people would not have time to read the entire bill and would not have the opportunity to make amendments. She said it was a large and complex bill and felt that was unfair to the people. She didn't think that asking the people to answer a simple yes or no was fair and said that the people could be asked if they want the state to be in the gambling business. This was asked two years ago and the people gave a direct answer. She had the fiscal note which came out with SB 324 but which was not attached to this bill. She stated that the operating expenses would be greater for Montana. There would also be a growth of 35 people in the department of commerce to run the lottery, according to the fiscal note. She disagreed with Sen. Stimatz' statement that it has to be tried to see if it will work. Three of the western states that have a lottery have all seen decreases in their state lottery. In Washington there are editorials calling for abolition of the lottery. She agreed that the people of the state have the right to run the state and make their voice heard in the legislature, but they also have a right not to be fooled. She said there is a bill coming up in the Senate to study a state lottery and felt this might be a much better way to go.

Rep. Pistoria asked the Chairman if he could be shown on the record as a proponent of the bill. Permission was given by Chairman Sales.

FURTHER PROPONENTS: Rep. Paul Pistoria, District #36, said he had attended a forum in Great Falls the first of March at which there were about 200 people present. The subject was a lottery. Everyone wondered why the Senate turned down the lottery. Montana people do go out of state or to Canada to take part in their lotteries. He said this is the logical way to do this - put it to the vote of the people.

DISCUSSION OF HOUSE BILL NO. 945: Rep. Garcia remarked to Sen. Stimatz that he had stated \$4-5 million would be coming in from the lottery and the payout would be around \$100,000 and asked if this was possible. Sen. Stimatz

said, according to Mr. Webster Bridges, who is a consultant to state lotteries, Montana should be able to handle \$100,000 payout but the director and the Commission would set the limits. He said it should be no problem to have a prize of that size. Mr. Bridges is employed by "Electronic Games".

Rep. Garcia asked Ms. Campbell if she felt the people weren't smart enough to read the bill and know what they were voting on. She said she certainly did think they were smart enough and did not question the ability of the people.

Rep. Harbin asked who derived the income projections. Sen. Stimatz said they are industry-wide projections. He said they worked with the department of commerce and their chief accountant for 4-5 hours going over the figures. Rep. Harbin asked if they had taken into account the population, geographic constraints and also the 1988 Winter Olympics to be held in Canada. Sen. Stimatz replied that they certainly did consider the population of Montana and the size of the state but didn't know about the Olympics.

Rep. Harbin asked about the \$50 license fee and asked who would be investigating these applicants and how many would be licensed in the state. Rep. Pavlovich said the department of revenue would handle the licenses and it would probably be liquor license holders such as bars and grocery stores. These people have already been cleared by the department of revenue.

Rep. Nelson said he had heard that part of the Washington lottery was being bailed out by general fund money. Sen. Stimatz said that it was no longer true. They had a fantastic first year and they grossed over \$200 million. It fell to \$164 million the next year. They cut back expenses, etc. and turned it around very quickly. Sen. Stimatz said he had talked to the director of the Washington lottery and he had explained the situation and they went back into the black and are running again.

Rep. Nelson said he heard this was going to be put to the vote of the people and the proceeds would be going to education. Rep. Pavlovich said this was true but it was then decided to put it into the general fund and the basic reason is for property tax relief for the people. He said he had no problem where they put the money, into education or the general fund.

Rep. Jenkins asked if any of the states have a record of their out-of-state ticket sales. Sen. Stimatz said that the Washington officials remarked when Oregon passed a lottery bill that they would probably lose some money.

In answer to Rep. Jenkins' question as to how the lottery study that is in the Senate would be funded. Ms. Campbell

replied that she wasn't sure but that it might be the Revenue Oversight Committee that would do that study. Rep. Jenkins said that if this bill passes it would come up for voting in 1986 and asked if this study would be completed by that time. Ms. Campbell said she didn't know what the bill contained.

Rep. Moore asked about the possibility of two or three states having a tri-state lottery. Sen. Stimatz said the bill already provides for the director to look into a regional lottery. Three states are already going to try this type of lottery.

Rep. Phillips was concerned about the operating expenses. He wondered if starting out with 20% was giving them an open check book or should we keep a tight rein on the heirarchy that is going to set this up. Sen. Stimatz said they had discussed this at length. They originally had it at 15% but the director of the department of revenue and others recommended that it be 20%.

Chairman Sales asked if punch boards and pull tabs would be legal under the instant payouts. Rep. Pavlovich said they would be illegal in the state of Montana and they are a different situation altogether but Chairman Sales asked if they wouldn't be legal under this bill. Rep. Pavlovich explained the instant payouts in Washington and said that anything payout over \$50 must be sent into the Commission for the prize. Lois read the definition of lottery in the statutes.

Rep. Cody asked if the people vote for a lottery does this bill tie us into it or could it be changed. Rep. Pavlovich said this would be up to the legislature and it could also dissolve itself if they found it was not working.

There being no further questions, Rep. Pavlovich closed and referred to Ms. Campbell's remarks that people won't have the time to read the initiatives or referendums on the ballot, he said that a book is sent out by the Secretary of State's office approximately one month before the election which contains all that will be on the ballot. He said this is just giving the people a chance to vote on the lottery.

DISPOSITION OF HOUSE BILL NO. 945: Rep. Pistoria moved that HB 945 BE CONCURRED IN, seconded by Rep. Garcia.

Rep. Peterson said that on page 12 they are talking about 20% of the gross revenue and asked how much they were talking about. Sen. Stimatz said if it follows projections it could possible be about \$1 million.

Rep. Phillips said he wanted to talk about an amendment as

he thought 20% for operating expenses was a lot of money to turn loose. He said that once you give them 20% it would be hard to cut it back. Rep. Phillips moved ADOPTION OF AMENDMENT TO CUT 20% TO 15% for operating expenses, seconded by Rep. Fritz. The motion CARRIED UNANIMOUSLY.

Rep. Pistoria moved ADOPTION OF AMENDMENTS proposed by Rep. Pavlovich removing reference to electronic video games, seconded by Rep. Phillips. The motion CARRIED with Rep. Fritz voting "no".

Rep. Pistoria then moved that HB 945 DO PASS AS AMENDED, seconded by Rep. Smith. The motion CARRIED with Reps. Nelson, Hayne and Sales voting "no".

DISPOSITION OF SENATE BILL NO. 457: Rep. Nelson moved that SB 457 BE NOT CONCURRED IN, seconded by Rep. Harbin.

Rep. Jenkins said that the Committee had just voted on a bill that would put the lottery to a vote of the people and thought that this bill should be put to the vote of the people of Lake and Sanders Counties to change the boundaries between those two counties and if either county voted against it that would be the end of it but he thought the people should have that opportunity. Rep. Moore agreed with Rep. Jenkins. Rep. Garcia remarked that this would only affect 26 people in those two counties whereas the lottery affects everyone in the state.

Rep. Cody said that there is Indian trust land that is involved in this trade and the Indian tribal leaders weren't consulted.

The Be Not Concurred in CARRIED with Reps. Phillips, Pistoria, Jenkins, Smith, Sales, Compton, Moore and Peterson voting "no". The vote was 10-8.

Chairman Sales said that Rep. Fritz would carry SJR 30. He would contact Rep. Asay or Switzer, from Sen. Manning's district, to carry SJR 25 and SJR 29, otherwise Rep. Phillips will carry the bills.

There being no further business, the meeting adjourned at 10:00 a.m.



WALTER R. SALES, Chairman

(Type in committee members' names and have 50 printed to start).

DAILY ROLL CALL

State Administration COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date 3/26/85

NAME	PRESENT	ABSENT	EXCUSED
Chairman Walter Sales	/		
V-Chairman Helen O'Connell	/		
Campbell, Bud	/		
Compton, Duane	/		
Cody, Dorothy	/		
Fritz, Harry	/		
Garcia, Rodney	/		
Hayne, Harriet	/		
Harbin, Raymond	/		
Holliday, Gay	/		
Jenkins, Loren	/		
Kennerly, Roland	/		
Moore, Janet	/		
Nelson, Richard	/		
Peterson, Mary Lou	/		
Phillips, John	/		
Pistoria, Paul	/		
Smith, Clyde	/		

STANDING COMMITTEE REPORT

March 26

19 05

SPEAKER

MR.

State Administration

We, your committee on

House

having had under consideration Bill No. **945**

First

reading copy (**White**)
color

VOTER REFERENDUM ON ADOPTION OF A STATE LOTTERY

Respectfully report as follows: That..... **House** Bill No. **945**

BE AMENDED AS FOLLOWS:

1) Title, line 7.

Strike: "SECTIONS 23-5-101,"

Insert: "SECTION"

Strike: "23-5-302, AND 23-5-402,"

2) Page 3, line 7.

Strike: "electronic" through "games,"

3) Page 12, line 5.

Strike: "20%"

Insert: "15%"

XXXXXX CONTINUED on page 2

DO PASS

State Administration
HB 945

March 26, 1935

4) Page 14, line 3.
Strike: "an" through "game,"
Insert: "a"

5) Page 14, line 3.
Following: "machine"
Strike: ", "

6) Page 20, line 19 through line 9, page 21.
Strike: section 21 in its entirety
Renumber: subsequent sections

7) Page 21, line 20 through line 7, page 23.
Strike: sections 23 and 24 in their entirety
Renumber: subsequent sections

8) Page 23, line 11.
Strike: "29"
Insert: "25"

9) Page 24, line 21.
Strike: "28"
Insert: "25"

10) Page 24, line 23.
Strike: "30"
Insert: "27"

11) Page 25, line 1.
Strike: "28"
Insert: "25"

AND AS AMENDED
BE CONCURRED IN

Ex. #3
#13-948
5/26/88

PRIZES AND EXPENSES

	STATE	PRIZE	EXPENSES
1			
2			
3	ARIZONA	45 Percent	18 Percent
4	COLORADO	50 Percent	15 Percent
5	ILLINOIS	47	10 Percent
6	MARYLAND	48.1	3.3 percent
7	MICHIGAN	270.5 million	11 percent
8	NEW HAMPSHIRE	5.8 million	3 million
9	New York	385.1 million	87 million
10	OHIO	174.6 million	214 million
11	PENNSYLVANIA	274.1 million	51 million
12	Rhode Island	18.7 million	6.6 million
13	VERMONT	2.1 million	.717 million
14	Washington	45 percent	10 percent
15			
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31			
32			

STATE (YR)	YEAR BEGUN	GROSS REV. (mill)	NET REV. (mill)	POPULATION (000)
ARIZONA	1981			2,860.
1984		60.	18.	
1983		75.	31.8	
1982		114	36.6	
COLORADO	1983			3045.
1984		120	40.7	
1983		208.0	72.8	
CONNECTICUT	1972			3153.
1984		254.4	40.7	
1983		188	72.8	
1982		169	71.	
1981		149.	NA	
DELAWARE	1975			602. .
1984		33	14.0	
1983		30.1	11.	
1982		25.6	9.5	
D.C	1982			631.
1984		68.2	21.7	
1983		50.5	13.2	
1982		NA	NA	
ILLINOIS	1974			11,448
1984		911.9	377.1	
1983		495.9	214.1	
1982		334.8	142.9	
MAINE	1974			1,133
1984		16.	4.5	
1983		13.	3.7	
1982		9.6	2.3	

STATE (yr)	YEAR BEGUN	GROSS REV.	NET REV.	POPULATION
MARYLAND	1973			4265
1984		485.8	209.2	
1983		462.8	198.2	
1982		457.4	199.	
1981		385.7	NA	
MASSACHUSETTS	1972			5,781
1984		506.1	169.1	
1983		312.1	104.6	
1982		279.7	92.5	
1981		208.5	NA	
MICHIGAN	1972			9,105
1984		620.	250.0	
1983		548.9	221.2	
1982		527.3	205.6	
1981		502.4		
NEW HAMPSHIRE	1964			951
1984		18.7	5.7	
1983		13.3	3.7	
1982		12.3	3.6	
1981		11.		
NEW JERSEY	1970			17,659.
1984		847.3	359.7	
1983		693.1	294.9	
1982		517.3	230.3	
1981		417.	NA .	

STATE	YEAR BEGUN	GROSS REV. (mill)	NET REV. (mill)	POPULATION (000)
NEW YORK	1967			17659
1984		888.7	389.8	
1983		645.	275.2	
1982		424.9	179.3	
1981		236.2		
OHIO	1974			10,791
1984		603.	250.	
1983		397.3	144.	
1982		363.9	144	
1981		297.		
PENNSYLVANIA	1972			11,365
1984		1236.	516.3	
1983		385.4	355.4	
1982		562.2	227.1	
1981		427.		
RHODE ISLAND	1974			958
1984		52.2	18.4	
1983		43.	14.7	
1982		37.9	13.7	
1981		34.8		
VERMONT	1978			516
1984		5.1	1.3	
1983		4.4	1.1	
1982		3.3	.9	
WASHINGTON	1982			4,246
1984		164.6	71.	
1983		200.1	66.7	
1982		NA	NA	

TOTALS GROSS SALES IN 1983=5,196,808,000 IN 1982 GROSS SALES = 3,340,451,

The bottom line: How

State	Year begun	How authorized	Top prize	FY 83 gross sales (000) ¹	FY 83 net proceeds (000) ¹	FY 83 net as % of general fund ^{1/2}	FY 82 gross sales (000) ¹	FY 82 net
Arizona	1981	I	\$1 million	\$75,000	\$31,800	1.90%	\$114,000	\$36,600
Colorado	1983	R	\$1,000/week for life (1/24-6/30/83)	\$138,300	\$41,700	2.80%	N.A.	N.A.
Connecticut	1972	L	Lotto: no limit	\$188,000	\$80,500	2.50%	\$169,000	\$71,000
Delaware	1975	L	Lotto: no limit	\$30,100	\$11,000	1.50%	\$25,600	\$9,500
D.C.	1982	I	\$1,000/week for life	\$50,462	\$13,188	.74%	N.A.	N.A.
Illinois	1974	L	Lotto: no limit	\$495,400	\$214,100	3.00%	\$334,800	\$142,900
Maine	1974	R	\$25,000	\$13,074	\$3,700	.55%	\$9,658	\$2,384
Maryland	1973	L,R	Lotto: no limit	\$462,800	\$198,200	6.40%	\$457,400	\$189,000
Massachusetts	1972	L	Lotto: no limit	\$312,138	\$104,603	2.25%	\$279,754	\$92,540
Michigan	1972	L	\$2 million	\$548,900	\$221,200	2.50%	\$527,300	\$205,600
New Hampshire	1964	L	\$100,000	\$13,819	\$3,688	1.20%	\$12,387	\$3,610
New Jersey	1970	R	Lotto: up to \$10 million limit	\$693,100	\$294,900	6.30%	\$517,800	\$220,300
New York	1967 ³	R	Lotto: no limit	\$645,000	\$275,200	1.70%	\$424,900	\$179,800
Ohio	1974	L	Lotto: no limit	\$397,800	\$145,000	2.00%	\$363,900	\$144,000
Pennsylvania	1972	L	Lotto: no limit	\$885,400	\$355,400	4.80%	\$562,200	\$227,100
Rhode Island	1974	R	Lotto: no limit	\$43,000	\$14,700	1.30%	\$37,952	\$13,695
Vermont	1978	R	\$100,000	\$4,400	\$1,100	.37%	\$3,800	900
Washington	1982	R	\$1,000/week for life	\$200,117 11/82-6/83	\$66,700	1.80%	N.A.	N.A.
TOTALS				\$5,196,808	\$2,076,679		\$3,840,451	\$1,548,929

Notes and Sources

- As reported by state lottery offices to State Legislatures.
- General fund revenues supplied by state budget offices to State Legislatures.
- U.S. Census Bureau, estimated population of the states as of July 1, 1982.

lottery states have fared

proceeds (000) ¹	FY 82 net as % of general fund ^{1/2}	Population (000) ³	FY 83 net proceeds per capita	Total lottery sales since inception (000) ^{1/4}	Disposition of net proceeds ¹
2.4%	2,860	\$11	\$189,000	\$68,400	Yearly minimum set by legislature for local transportation assistance fund, balance to general fund
N.A.	3,045	\$14	\$220,000	\$77,000	50% capital construction; 40% conservation trust fund; 10% parks and recreation
2.4%	3,153	\$26	\$1,200,000	\$505,187	General fund
1.4%	602	\$18	\$122,292	\$43,300	General fund
N.A.	631	\$21	\$78,048	\$20,000	General fund
2%	11,448	\$19	\$2,090,000	\$887,871	General fund
4%	1,133	\$3	\$75,800	\$18,100	General fund
6.8%	4,265	\$46	\$2,598,000	\$1,096,000	General fund. Effective 10/31/83 lotto profits to 24 political subdivisions. To expire 10/84. Legislation pending.
2.1%	5,781	\$18	\$1,944,000	\$667,000	Distributed to 351 cities and towns for discretionary use; first \$3 million of Megabucks Lotto to the arts
2.7%	9,109	\$24	\$3,600,000	\$1,600,000	Primary and secondary education
1.2%	951	\$4	\$155,000	\$55,000	Education
5.3%	7,438	\$40	\$3,400,000	\$1,400,000	Education and state institutions; \$75,000/year for studies on compulsive gambling
1.1%	17,659	\$16	\$2,755,000	\$1,255,000	Elementary and secondary education
2.4%	10,791	\$13	\$1,706,300	\$641,252	Effective 7/1/83 - primary and secondary education. Previously to general fund.
3.19%	11,865	\$30	\$4,000,000	\$1,600,000	Senior citizens
1.2%	958	\$15	\$280,000	\$100,000	General fund
.33%	516	\$2	\$20,600	\$6,000	General fund (for debt retirement and capital construction)
N.A.	4,245	\$16	\$259,170	\$103,670	General fund
	86,450	\$21.53	\$24,693,210	\$10,143,780	

4. Reporting dates vary.

5. The New York Lottery was suspended from October 1975 to September 1976 because of irregularities.

6. Initiative, referendum, or legislation.

N.A. Not applicable.

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CHAIRMAN
CARROLL GRAHAM
JOSEPH P. MAZUREK
JESSE O'HARA

HOUSE MEMBERS
JOHN VINCENT
VICE CHAIRMAN
BURT L. HURWITZ
REX MANUEL
BOBBY SPILKER



HB-945
Ex - 1

Montana Legislative Council
State Capitol
Helena, MT. 59620
(406) 449-3064

DIANA S. DOWLING
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ELEANOR ECK
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ROBERTA MOODY
DIRECTOR, LEGISLATIVE SERVICES
ROBERT PERSON
DIRECTOR RESEARCH
SHAROLE CONNELLY
DIRECTOR, ACCOUNTING DIVISION
ROBERT C. PYFER
DIRECTOR, LEGAL SERVICES

March 21, 1985

TO: Rep. Pavlovich
FROM: John MacMaster, Staff Attorney

In regard to our conversation last Friday about your bill (via the House State Administration Committee) to submit a state lottery law to the electorate at a referendum, I have the following points to make:

(1) The bill will not violate Joint Rule 6-8, requiring rules committee approval of introduction of a bill designed to accomplish the same purpose as a bill introduced in and rejected by that house, because the rule states that "No bill may be introduced or received in a house after that house has finally rejected a bill during that session designed to accomplish the same purpose". The House has not rejected an introduced bill to accomplish the same purpose as your bill. That the Senate has makes no difference.

(2) The deadline for introduction of a committee revenue bill is Wednesday 27 March. I believe this is a revenue bill within the meaning of Joint Rule 6-34, which states that "A revenue bill is one which would either increase or decrease tax collections."

Forty-five percent of the money paid for tickets or chances will be used to pay lottery prizes. These prizes are subject to the state income tax. Therefore, the bill will have a very direct and considerable effect of increasing tax collections.

In addition, just as the state sells liquor through its liquor stores to those who wish to purchase it, and includes in the sale price both an excise tax and a license tax, under this bill the state will sell lottery tickets and chances to those who wish to purchase them and include in the price an amount (35% plus) that goes to the state and local governments as revenue. This revenue is in effect a tax, just as the the revenue the state receives from its liquor sales is a tax.

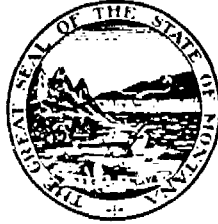
(3) With respect to Joint Rule 6-8 and the fact that the Senate has finally rejected a bill to establish a state lottery, it can be argued that your bill to submit the issue to the voters is not designed to accomplish the same purpose because the purpose of your bill is to let the voters of the state decide the issue and the purpose of the Senate Bill was to let the Legislature decide the issue. Therefore, receipt of your bill by the Senate, should the bill pass the House, does not need the approval of the Senate Rules Committee. As you probably know, Joint Rule 6-8 is often liberally construed to allow introduction of the second bill if there is any difference or change in the purpose of the first bill.

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VISITORS' REGISTER

COMMITTEE

BILL NO. _____

DATE _____

SPONSOR _____

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

WITNESS STATEMENT

NAME Sen. Lawrence H. Summers BILL NO. 945
ADDRESS 1615 C St. NW. Bldg DATE 3-26-85
WHOM DO YOU REPRESENT? Dist. 35 (Senate)
SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Senator Larry Summers

Press & Expense List attached

Senate Rules Committee
April 4, 1985

Senator Van Valkenburg brought the meeting to order with all members being present.

Senator Van Valkenburg stated that the purpose of the meeting was to determine if the Senate should take House Bill 945 into the body for consideration.

Senator Van Valkenburg stated that the rule in question is Rule 6-8. He further stated that the rule makes it clear that if a bill has been introduced and killed in the Senate, the Senate may not consider comparable bills and Senator Stimatz had already introduced a lottery bill into the Senate and that bill had been killed.

Senator Stephens stated that the rule in question has a peculiar ending which seems to allow for the Senate to make individual determinations regarding acceptance of like bills.

Mr. McMaster, from the Legislative Council, stated that he'd sent a memo to Representative Pavlovich commenting on the ability of the Senate to accept House Bill 945. He further stated that Senate Bill 324 was indefinitely postponed which leaves room for the argument that the Senate has not actually taken final action on the like bill and that it has not, in fact, been killed by the Senate.

Senator Van Valkenburg stated that the tradition of the Senate is clearly that a motion to indefinitely postpone a bill is the same as killing the bill.

Representative Pavlovich stated that the main purpose, in his opinion, of a lottery bill should be to raise revenue and he would, therefore, support a 50-50 split in lottery revenue between the state and local governments.

Senator Van Valkenburg asked Representative Pavlovich if House Bill 945, in its current form (monies going to teacher retirement fund) would provide for property tax relief.

Representative Pavlovich stated that the bill allows the public to comment on how they would like the revenue to be spent.

Senator Crippen stated his concern with the outcome of a resolution introduced by Senator Blaylock which would allow the public to better assess each side of the question.

Representative Pavlovich stated that the study may not even occur, as with all resolutions, it would be placed among several resolutions and prioritized.

Senator Norman asked if the Senate might simply suspend the rules to accept the bill.

Representative Pavlovich stated that said suspension would be likely considering the fact that 31 Senators had signed onto the bill. Therefore, to achieve a two-thirds vote for suspension of the rules, only three additional votes would be needed.

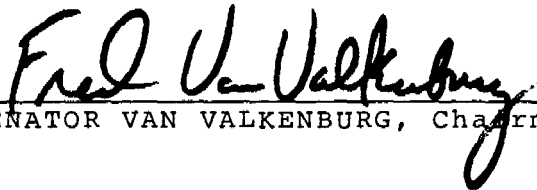
Senator Van Valkenburg stated that this might be a possible solution, i.e., if there are 31 Senators who have signed onto the bill, perhaps the Senate Rules Committee might recommend that the rules be suspended rather than construing the rules in a way that might be questionable.

MOTION:

Senator Norman made a motion that the Senate Rules Committee recommend that the Senate suspend its rules to accept House Bill 945.

The question was called. The motion was voted on and passed unanimously.

There being no further business, the Senate Rules Committee was adjourned.


SENATOR VAN VALKENBURG, Chairman

MINUTES OF THE MEETING
STATE ADMINISTRATION COMMITTEE
MONTANA STATE SENATE

April 17, 1985

The fifty-sixth meeting of the State Administration Committee was called to order by Senator J. D. Lynch at 10 a.m. in Room 331, Capitol, on Wednesday, April 17, 1985.

ROLL CALL: With Senator Haffey, Senator Hirsch, and Senator Manning being excused, the rest of the members were present.

CONSIDERATION OF HOUSE BILL 945: Representative Bob Pavlovich, House District 70, Butte, is the sponsor of this bill entitled, "AN ACT TO ESTABLISH A STATE LOTTERY AND PROVIDE FOR ITS ADMINISTRATION; AMENDING SECTION ... MCA; PROVIDING EFFECTIVE DATES: AND PROVIDING THAT THE PROPOSED LOTTERY LAW BE SUBMITTED TO THE ELECTORS OF THE STATE OF MONTANA." Representative Pavlovich told the Committee that this was the same bill that they had heard before, with the exception of two things--they had put back in "instant winner" games and the money raised would go to the teachers' retirement fund in order to lower property taxes.

PROPOSERS: Senator Stimatz, Senate District 35, supports this bill. He told the Committee that he was here mainly to answer questions, and that since they had already heard the bill he would not add to it.

Murdo Campbell, private citizen, supports this bill. Mr. Campbell said that he has watched the Senate kill the lottery bill twice, and he feels the people should have a chance to vote on it. He felt the money would go for a good cause.

Robert VanDerVere supports this bill. He told the Committee that he had talked to many people and they all wanted a lottery. He feels it is time to keep the gambling money in Montana.

OPPOSERS: Cathy Campbell, League of Churches, opposes this bill. Ms. Campbell told the Committee that many studies have been made of states with populations the size of Montana's and they do not make as much money as they would have us believe. She quoted from a book entitled Hearings from a quote by Senator Durenberger, which said, "I am concerned that our elected officials have somehow lost control over this industry. That we are not talking about a public charity any more, but about a private venture for the profit of a few large national corporations. How is it that despite the best bipartisan efforts of the elected leaders of the state of Arizona, that a lottery initiative was placed on the ballot and passed into public law?" Ms. Campbell explained to the Committee that Scientific Games have been all over the country expounding the virtues of a lottery. She said that they tell people that they sell dreams. Ms. Campbell believes that eventually we will have to wake up to reality. Ms. Campbell further stated that the voters should have all the information and all the options that the legislature has. They should have

April 17, 1985

the option of a sales tax, or other forms of revenue raising ideas. She said that the resolution to study the lottery had been tabled, and she felt that the study should go on. She felt that the information generated by the study should be given to the voters so they can make an informed decision.

COMMITTEE QUESTIONS: Senator Conover asked if all the money raised with a lottery would go to the teachers retirement fund. Pavlovich said yes, but Senator Lynch explained that it would be spread equally across the state and what was left would go into the general fund. Senator Mohar said that if the teachers require \$10 million and this only raises \$5 million, none of it goes into the general fund. Representative Pavlovich said that's right. Senator Mohar said it could cost the state to run this. Representative Pavlovich said that that comes out of the 15% for operation. Senator Mohar asked about the "instant winner" games and Representative Pavlovich explained that they will be cards that you will rub off and if you win \$1.00, or \$2.00 or whatever, you can redeem it right there, up to so much and for that you will have to send it in. Senator Lynch asked if the Committee was to vote on the Statement of Intent and Representative Pavlovich said yes.

Representative Pavlovich closed by saying that rather than what Cathy Campbell is saying, this is not a mandatory tax like the sales tax and people ought to have the chance to vote on it. HOUSE BILL 945 is closed. (Representative Pavlovich asked that Senator Stimatz carry it to the floor if it passes.)

EXECUTIVE ACTION ON HOUSE BILL 945: Senator Harding asked Valencia to find a way to include all the things Cathy Campbell mentioned into the bill, so she asked that we defer action on this for at least a day. Senator Mohar felt that this should be tabled until the House acts on HJR-35.

CONSIDERATION OF HOUSE JOINT RESOLUTION 47: Representative Raymond Harbin, House District 53, is the sponsor of this bill entitled, "A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA REQUESTING AN INTERIM STUDY ON CONSOLIDATION OF THE PUBLIC EMPLOYEES' AND TEACHERS' RETIREMENT DIVISIONS AND ON PROPOSALS FOR MAKING THE RETIREMENT SYSTEMS ADMINISTERED BY THE DIVISIONS MORE UNIFORM; REQUIRING A REPORT OF THE FINDINGS OF THE STUDY TO THE 50TH LEGISLATURE." Representative Harbin said that this would combine PERS and TRS, because mechanically we had to involve both programs. He said that they need to examine and establish uniformity in the programs. Representative Harbin said they are under different boards and it is all goofed up. Representative Harbin said that this "diversity is a source of confusion, results in uneven treatment of public employees, and encourages leapfrogging in benefits among the systems." He said the Committee would do all the things listed

April 14, 1985

[illegible]

(Please leave prepared statement with Secretary)